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ABSTRACT

Legislative concerns in funding higher education in California are considered. Information is presented on the state's overall fiscal status and the impact of declining enrollment. Funding appropriations in 1979-80 to the University of California (UC) and the California State Colleges and University (CSUC) are specified. For the 1979-80 budget, the governor proposed to continue reductions of around $15 million that had been adopted the previous year after the passage of Proposition 13. When the reductions were made no direction was given as to how the higher education segments were to reduce their expenditures. A total of $22 million in unspecified reductions were proposed by the governor for the 1979-80 budget. Compounding these proposed reductions was the enrollment decline. In making their budget decisions the legislators displayed their level of commitment to higher education and their reluctance to make the specific policy and program decisions for the institutions. The legislators reduced the unspecified reduction at CSUC to ensure that the instruction program was not directly affected. The decision to augment the UC budget was arrived at with more difficulty. Unlike CSUC, UC was not facing a substantial enrollment decline. UC also had not determined specifically which programs and activities would have to be reduced. Part of the reduction proposed by the governor was eliminated, but specific reductions that the legislators had voted to accept after hearing testimony during hearings were kept. (SW)

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LEGISLATIVE CONCERNS IN FUNDING HIGHER EDUCATION: VIEWS FROM SACRAMENTO

David O. Jolly

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"Legislative Concerns in Funding
High Education:
Views from Sacramento" -- Dave Jolly

The topic of my comments this afternoon is "Legislative Concerns in Funding for Higher Education". The range of perception held by legislators about the appropriate level of state support and the desired degree of Legislative involvement in higher education is very broad. However, there is a fair degree of commonality in the views of the handful of legislative members who are the principle authors and decision makers of legislative educational decisions and policies. My comments today are derived from the views of this group of Legislators.

There are two issues which have had an overriding impact on postsecondary education funding discussions this year; the State's overall fiscal status (due to Proposition 13 and the likelihood of a State expenditure limitation) and the impact of declining enrollment. Underlying the discussion of these issues there continues a high level of legislative concern about postsecondary education's commitment and ability to provide a liberal education that assists students to understand and participate in our diverse and complex world. There is also a concern about postsecondary education's contributions through research and public service activities to the solutions of society's problems.

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With respect to the first issue it is generally known that in the current year California has a substantial surplus of more than $1 billion dollars against an expenditure base of $13 billion. However, providing a 7% inflation adjustment for most State programs, providing a salary increase to rectify the zero increase provided in the current year, and passing major legislation to establish a continuing base of support for financing K-12 schools, cities, counties and special districts could necessitate a tax increase to cover state expenditures for 1980-81. There aren't any Legislators at this point willing to support a tax increase; as a result, the Legislature and the Governor are going to be frugal in the foreseeable future. Expenditure demands are further complicated by the likelihood that through the electoral process the State will come under an expenditure limitation program in the near future. Under such a plan, State expenditures would be tightly controlled irrespective of revenues.

In 1979-80 the Legislature will provide more than $800 million to the University of California (UC) and the California State Colleges and University(CSUC). California Community Colleges will receive more than $1.1 billion from the state. Postsecondary education represents around 15% of the total state budget and therefore cannot be totally immune to general state budget reductions.

The second issue, declining enrollments, exacerbates the financial constraints facing UC and CSUC. California's total postsecondary education student full time equivalent (FTE) enrollment in 1979-80 is projected to be about 8.6 percent below that of 1975-76, California's peak year. Most of the decline has which has occurred in Community colleges and be attributed to students taking lighter course loads. These declines are occurring before the decline in the 18-24 age group which is due to the lower birth rates of the 1960's. For example, the 1978 population of 18 and 19 year olds in California, which is currently higher than it has ever been, will fall by 7% in 1985 and 17% by 1990.

For 1979-80 CSUC anticipates losing 7,500 FTE students, a loss of slightly more than 3%. This represents a reduction of $10 million to the CSUC System. UC is anticipating a loss of 773 FTE students representing a drop of less than 1%. Community colleges are anticipating no change in enrollment.

At this point I'd like to discuss the situation Legislators found themselves in this year as they made budget decisions for UC and CSUC. Each year the Legislature uses the Governor's proposed budget as a starting point for making funding decisions. For the 1979-80 budget, which becomes effective July 1, 1979, the Governor proposed to continue reductions which had been adopted last year after the passage of

Proposition 13. The level of these proposed reductions was around $15 million for each segment (UC and CSUC). The reductions were originally made as an emergency effort to ensure that the State would have sufficient funds available to bailout local government which was experiencing a drastic reduction in local tax revenues due to Proposition 13. When the reductions were made, after the passage of Proposition 13, no direction was given as to how the segments were to reduce their expenditures. For the budget year the Governor proposed to continue these reductions, but again did not specify where expenditure reductions should be made.

In addition to continuing the Proposition 13 reductions the Governor proposed a new $7 million reduction for each segment. The Governor again did not indicate where such a reduction in expenditure should be made in each institution.

Both UC and CSUC had treated the initial Proposition 13 reduction as a one-time occurence and as such had made administrative adjustments such as imposing a partial hiring freeze, cutting back on maintenance and using up special reserves. Each institution argued before the Ways and Means Subcommittee on Education, Chaired by Assemblyman John Vasconcellos, that there would have to be drastic cuts into basic educational and research programs if they each were forced to accept the $22 million in unspecified reductions proposed by the Governor for the 1979-80 budget.

Compounding these proposed reductions was the enrollment decline. Both segments argued for no reduction in funding related to the decline in FTE students. The basis for this argument was primarily that the student/faculty ratio had been allowed to increase over the past 10 years and that a small enrichment of the student/faculty ratio at this point in time would ease the impact of other budget reductions. The student/faculty ratio for CSUC had been 16.38 in 1967-68 and has risen to 17.8/1 by 1977-78. Ignoring the anticipated student decline for 1979-80 would have allowed this figure to drop to 17.4/1 and would have allowed CSUC to continue 300 faculty positions.

In making their budget decisions the Legislators displayed their level of commitment to higher education and their reluctance to make the specific policy and program decisions for the institutions. After 40 hours of subcommittee hearings on the various components of the UC and CSUC budget a consensus developed among the subcommittee members that they should act to ensure that the unspecified reductions did not directly impact on the instruction program. This was a decision to provide a substantial augmentation with full recognition of the fiscal constraints the state was facing.

The decision to augment for CSUC came more easily as that system had put together a very specific list of the programs and activities which would have to be eliminated. It was

quite clear that the Legislature would need to augment the CSUC budget by about $8 million (i.e., reduce the unspecified reduction to $14 million) to ensure that the instruction program was not directly affected.

The decision to augment the UC budget was arrived at with more difficulty. Unlike CSUC, UC was not facing a substantial enrollment decline. More important UC had not determined with any degree of specificity which programs and activities would have to be reduced to absorb the $22 million reduction. UC argued that such decisions should be made at the campus level and that the campuses would not be able to identify which programs and activities were to be eliminated until they knew the amount of the reduction to be imposed. This response left the Legislators in the position of wanting to provide some bailout assistance but without a factual basis for a specific dollar decision. The budget subcommittee finally decided to eliminate the new $7 million reduction proposed by the Governor but let stand $4 million in specific reductions they had voted to accept after hearing testimony during the subcommittee hearings. At the final hearing on the University budget UC indicated that although they did not have exact figures their best estimate indicated an additional $4.3 million would be necessary to ensure that the instruction program was not directly affected by the remaining proposed $19 million in reductions. The subcommittee accepted this figure as a good faith effort and augmented the budget by $4.3 million.

For both segments the Subcommittee approved the reductions associated with the decline in student enrollment. The members recognized that declining enrollment is likely to increase in the next decade and have a major impact on financing postsecondary education. The subcommittee therefore directed the California Postsecondary Education Commission to study the impact of enrollment decreases, make recommendations to the Legislature and develop formulas for mitigating the effect of severe enrollment declines.

I believe these Legislative decisions illustrate continued Legislative support for funding postsecondary education. Education is not a stepchild in state government. Nor is it rated as a higher priority than Health and Welfare programs or other important governmental services. It is seen as an essential service worthy of continued state support but not immune to general state fiscal constraints.

The Legislature is involved in a continuing process of defining the appropriate level of Legislative involvement and influence in postsecondary education. This year's budget decisions reveal the reluctance of Legislators to make specific management decisions and identify programs or activities for reduction. Legislators are directly responsible to the people of this state for the expenditure of huge sums of money and as such they feel accountable for decisions made by public agencies. Nevertheless Legislators

recognize they lack the information, time and in some cases the expertise to make specific management decisions for public postsecondary education institutions. They therefore would prefer to have public postsecondary education institutions make these hard management decisions within the framework of existing public policy.

There is an unavoidable risk that such decisions will be perceived as "bad" by Legislators and will lead to greater direct involvement of the Legislature. However, if public postsecondary institutions avoid making the hard decisions necessitated by tighter resources and declining enrollments they will leave a void which will be filled, in all likelihood, by greater Legislative involvement.